

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

VILLAGE OF MILLINGTON

Tuscola County, Michigan

FINANCIAL STATEMENTS

February 28, 2006

VILLAGE OF MILLINGTON

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Millington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006, on our consideration of the Village of Millington's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Millington's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

May 11, 2006

BASIC FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

STATEMENT OF NET ASSETS

February 28, 2006

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>Unit--DDA</i>
	<i>Activities</i>	<i>Activities</i>		
Assets:				
Cash and cash equivalents	\$ 418,293	\$ 155,210	\$ 573,503	\$ 53,279
Receivables	225,372	39,592	264,964	13,538
Inventory	-	13,400	13,400	-
Restricted cash and cash equivalents	-	400,451	400,451	-
Capital assets:				
Nondepreciable capital assets	11,500	-	11,500	-
Depreciable capital assets, net	1,043,758	2,708,833	3,752,591	-
Other assets	-	62,468	62,468	-
Total assets	1,698,923	3,379,954	5,078,877	66,817
Liabilities:				
Accounts payable and accrued expenses	14,457	80,331	94,788	136,705
Long-term liabilities:				
Due within one year	3,000	57,000	60,000	5,000
Due in more than one year	40,500	1,741,000	1,781,500	235,000
Total liabilities	57,957	1,878,331	1,936,288	376,705
Net assets:				
Invested in capital assets, net of related debt	1,011,759	910,833	1,922,592	-
Restricted for:				
Debt service	-	77,657	77,657	-
Repair, replacement, and improvements	-	322,794	322,794	-
Streets	324,950	-	324,950	-
Unrestricted	304,257	190,339	494,596	(309,888)
Total net assets	\$ 1,640,966	\$ 1,501,623	\$ 3,142,589	\$ (309,888)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

STATEMENT OF ACTIVITIES

Year Ended February 28, 2006

	<i>Program Revenues</i>				<i>Net (Expense) Revenue</i>
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 115,842	\$ 20,400	\$ -	\$ 10,177	\$ (85,265)
Public safety	87,782	-	1,236	-	(86,546)
Public works	979,787	64,127	551,329	662,968	348,637
Community and economic development	-	4,045	-	-	4,045
Recreation and culture	4,450	-	-	-	(4,450)
Interest on long-term debt	2,174	-	-	-	(2,174)
Total governmental activities	<u>1,140,035</u>	<u>88,572</u>	<u>552,565</u>	<u>673,145</u>	<u>174,247</u>
<i>Business-type activities:</i>					
Sewer	241,976	120,520	-	656,988	535,532
Water	226,459	243,871	-	-	17,412
Total business-type activities	<u>476,723</u>	<u>364,391</u>	<u>-</u>	<u>656,988</u>	<u>544,656</u>
Total primary government	<u>\$ 1,616,758</u>	<u>\$ 452,963</u>	<u>\$ 552,565</u>	<u>\$ 1,330,133</u>	<u>\$ 718,903</u>
COMPONENT UNITS:					
Downtown development authority	\$ 697,027	\$ 6,150	\$ 12,802	\$ 239,192	\$ (438,883)
Total component unit	<u>\$ 697,027</u>	<u>\$ 6,150</u>	<u>\$ 12,802</u>	<u>\$ 239,192</u>	<u>\$ (438,883)</u>

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Unit - DDA</i>
	<u></u>	<u>Activities</u>	<u></u>	<u></u>
Changes in net assets				
Net (Expense) Revenue	\$ 174,247	\$ 544,656	\$ 718,903	\$ (438,883)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	259,092	-	259,092	-
Property taxes, captured by component unit	-	-	-	47,443
Franchise taxes	6,397	-	6,397	-
Grants and contributions not restricted to				
specific programs	121,019	-	121,019	-
Unrestricted investment earnings	12,099	9,477	21,576	4,963
Special item - Gain (loss) on sale of capital asset	128,567	5,520	134,087	29,500
Total general revenues, contributions, special				
items, and transfers	527,174	14,997	542,171	81,906
Change in net assets	701,421	559,653	1,261,074	(356,977)
Net assets, beginning of year	939,546	941,970	1,881,516	47,089
Net assets, end of year	\$ 1,640,967	\$ 1,501,623	\$ 3,142,590	\$ (309,888)

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 67,690	\$ 57,616	\$ 220,893	\$ 28,224	\$ 374,423
Accounts receivable	-	-	-	8,080	8,080
Due from other governmental units	36,811	23,239	23,202	-	83,252
Due from component unit	<u>134,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,040</u>
Total assets	<u>\$ 238,541</u>	<u>\$ 80,855</u>	<u>\$ 244,095</u>	<u>\$ 36,304</u>	<u>\$ 599,795</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	<u>\$ 9,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,647</u>	<u>\$ 13,420</u>
Total liabilities	<u>9,773</u>	<u>-</u>	<u>-</u>	<u>3,647</u>	<u>13,420</u>
Fund balances:					
Unreserved:					
General fund	228,768	-	-	-	228,768
Special revenue funds	<u>-</u>	<u>80,855</u>	<u>244,095</u>	<u>32,657</u>	<u>357,607</u>
Total fund balances	<u>228,768</u>	<u>80,855</u>	<u>244,095</u>	<u>32,657</u>	<u>586,375</u>
Total liabilities and fund balances	<u>\$ 238,541</u>	<u>\$ 80,855</u>	<u>\$ 244,095</u>	<u>\$ 36,304</u>	<u>\$ 599,795</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2006

Total fund balances for governmental funds \$ 586,375

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	973,998	
Less accumulated depreciation	<u>(65,454)</u>	908,544

The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>146,047</u>
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Net assets of governmental activities \$ 1,640,966

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 212,683	\$ -	\$ -	\$ 49,358	\$ 262,041
Licenses and permits	280	-	-	-	280
Federal grants	-	434,300	-	-	434,300
State grants	122,255	64,504	24,266	-	211,025
Contributions from other units	10,000	9,435	18,824	-	38,259
Charges for services	4,365	-	-	64,127	68,492
Interest and rents	5,710	1,631	3,871	1,156	12,368
Other revenue	139,214	-	-	6,397	145,611
Total revenues	494,507	509,870	46,961	121,038	1,172,376
Expenditures:					
Current:					
General government	115,530	-	-	-	115,530
Public safety	86,072	-	-	-	86,072
Public works	93,285	656,662	44,445	129,492	923,884
Recreation and culture	4,450	-	-	-	4,450
Capital outlay	164,949	-	-	-	164,949
Total expenditures	464,286	656,662	44,445	129,492	1,294,885
Excess (deficiency) of revenues over expenditures	30,221	(146,792)	2,516	(8,454)	(122,509)
Other financing sources (uses):					
Transfers in	-	112,858	-	-	112,858
Transfers out	-	-	(89,554)	(23,304)	(112,858)
Total other financing sources (uses)	-	112,858	(89,554)	(23,304)	-
Net change in fund balances	30,221	(33,934)	(87,038)	(31,758)	(122,509)
Fund balances, beginning of year	198,547	114,789	331,133	64,415	708,884
Fund balances, end of year	\$ 228,768	\$ 80,855	\$ 244,095	\$ 32,657	\$ 586,375

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 28, 2006

Net change in fund balances - total governmental funds \$ (122,509)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	838,094	
Less depreciation expense	<u>(2,112)</u>	835,982

Sales of assets is a revenue in the governmental funds; this revenue is reduced by the net book value of the capital assets sold in the statement of net assets. (5,096)

The net revenue (expense) of the internal service fund is reported with governmental activities. (6,956)

Change in net assets of governmental activities \$ 701,421

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

February 28, 2006

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Industrial Development Fund</i>	<i>Motor Pool Fund</i>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 100,835	\$ 36,959	\$ 17,416	\$ 155,210
Accounts receivable	14,116	25,476	-	39,592
Inventory	2,300	11,100	-	13,400
Total current assets	117,251	73,535	17,416	208,202
Noncurrent assets:				
Restricted cash and cash equivalents	278,274	122,177	-	400,451
Capital assets:				
Depreciable capital assets, net	1,242,321	1,466,512	-	2,708,833
Land held for development	-	-	23,377	23,377
Deferred charges	39,091	-	-	39,091
Total noncurrent assets	1,559,686	1,588,689	23,377	3,171,752
Total assets	1,676,937	1,662,224	40,793	3,379,954
Liabilities:				
Current liabilities:				
Accounts payable	39,700	1,322	-	41,022
Accrued expenses	9,644	29,665	-	39,309
Current portion of long-term debt	15,000	42,000	-	57,000
Total current liabilities	64,344	72,987	-	137,331
Noncurrent liabilities:				
Long-term debt	575,000	1,166,000	-	1,741,000
Total noncurrent liabilities	575,000	1,166,000	-	1,741,000
Total liabilities	639,344	1,238,987	-	1,878,331
Net assets:				
Invested in capital assets, net of related debt	652,321	258,512	-	910,833
Restricted for:				
Debt service	-	77,657	-	77,657
Repair, replacement, and improvements	278,274	44,520	-	322,794
Unrestricted	106,998	42,548	40,793	190,339
Total net assets	\$ 1,037,593	\$ 423,237	\$ 40,793	\$ 1,501,623

The accompanying notes are an integral part of these financial statements

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2006

	<i>Business-type Activities</i>				<i>Governmental</i>
	<i>Enterprise Funds</i>				<i>Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Industrial</i>		<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Development</i>	<i>Total</i>	<i>Service Fund</i>
			<i>Fund</i>		<i>Motor Pool</i>
					<i>Fund</i>
Operating revenues:					
Charges for services	\$ 118,983	\$ 220,090	\$ -	\$ 339,073	\$ -
Penalties	1,537	2,943	-	4,480	-
Equipment rental	-	-	-	-	50,291
Other	-	-	-	-	208
Total operating revenues	120,520	223,033	-	343,553	50,499
Operating expenses:					
Personnel	55,630	46,180	-	101,810	2,750
Fringe benefits	17,647	17,192	-	34,839	1,327
Supplies	6,158	23,118	-	29,276	14,177
Contracted services	103,863	10,684	8,013	122,560	155
Telephone	-	240	-	240	-
Dues and membership fees	225	-	-	225	-
Education and training	330	480	-	810	-
Printing and publishing	206	180	-	386	-
Insurance	1,629	7,817	-	9,446	651
Utilities	4,317	6,972	-	11,289	-
Repair and maintenance	-	-	-	-	9,337
Equipment rental	11,428	6,201	-	17,629	-
Other services and supplies	225	516	275	1,016	918
Depreciation	23,111	44,193	-	67,304	26,997
Total operating expenses	225,210	163,930	8,288	397,428	56,312
Operating income (loss)	(104,690)	59,103	(8,288)	(53,875)	(5,813)
Non-operating revenues (expenses):					
Federal grants	656,988	-	-	656,988	-
Interest income	5,572	3,668	237	9,477	1,031
Rental income	-	20,838	-	20,838	-
Gain (loss) on sale of assets	-	-	5,520	5,520	-
Interest expense	(16,766)	(62,529)	-	(79,295)	(2,174)
Total non-operating revenues (expenses)	645,794	(38,023)	5,757	613,528	(1,143)
Net income (loss)	541,104	21,080	(2,531)	559,653	(6,956)
Net assets, beginning of year	496,489	402,157	43,324	941,970	153,003
Net assets, end of year	\$ 1,037,593	\$ 423,237	\$ 40,793	\$ 1,501,623	\$ 146,047

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended February 28, 2006

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Enterprise Funds</i>				<i>Internal</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Industrial Development Fund</i>	<i>Total</i>	<i>Service Fund Motor Pool Fund</i>
Cash flows from operating activities:					
Cash received from customers	\$ 120,635	\$ 225,881	\$ -	\$ 346,516	\$ 208
Cash received from/paid for interfund services	-	-	-	-	50,291
Cash payments to employees	(55,630)	(46,180)	-	(101,810)	(2,750)
Cash payments to suppliers for goods and services	(99,914)	(74,113)	(8,288)	(182,315)	(26,862)
Net cash provided (used) by operating activities	(34,909)	105,588	(8,288)	62,391	20,887
Cash flows from capital and related financing activities:					
Grant	656,988	-	-	656,988	-
Proceeds from the sale of assets	-	-	25,000	25,000	-
Acquisition and construction of capital assets	(863,237)	-	-	(863,237)	(13,848)
Principal payments	300,000	(36,000)	-	264,000	(3,000)
Interest paid	(16,766)	(62,529)	-	(79,295)	(2,174)
Deferred financing costs paid	(21,727)	-	-	(21,727)	-
Net cash provided (used) by capital and related financing activities	55,258	(98,529)	25,000	(18,271)	(19,022)
Cash flows from investing activities					
Interest received	5,572	3,668	237	9,477	1,031
Rent received	-	20,838	-	20,838	-
Net cash provided by investing activities	5,572	24,506	237	30,315	1,031
Net increase (decrease) in cash and cash equivalents	25,921	31,565	16,949	74,435	2,896
Cash and cash equivalents, beginning of year	353,188	127,571	467	481,226	40,974
Cash and cash equivalents, end of year	\$ 379,109	\$ 159,136	\$ 17,416	\$ 555,661	\$ 43,870
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (104,690)	\$ 59,103	\$ (8,288)	\$ (53,875)	\$ (5,813)
Adjustments:					
Depreciation	23,111	44,193	-	67,304	26,997
Changes in assets and liabilities:					
Accounts receivable	115	2,848	-	2,963	-
Inventory	(545)	(53)	-	(598)	-
Accounts payable	39,343	602	-	39,945	(262)
Accrued expenses	7,757	(1,105)	-	6,652	(35)
Net cash provided (used) by operating activities	\$ (34,909)	\$ 105,588	\$ (8,288)	\$ 62,391	\$ 20,887

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The General Fund is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Major Street Fund is used to account for the maintenance and construction of the Village's major street system.

The Local Street Fund is used to account for the maintenance and construction of the Village's local street system.

The Village reports the following major enterprise funds:

The ***Sewer Fund*** is used to account for the revenues and expenses for the operation of a sewer system.

The ***Water Fund*** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture	5-10 years
Equipment	5-25 years
Infrastructure	5-50 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2005 taxable valuation of the Village totaled \$19,786,383, on which ad valorem taxes levied consisted of 14.2977 mills for the Village's operating purposes, of which 2.4128 mills was allocated to municipal streets.

The delinquent real property taxes of the Village are purchased by Tuscola County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

NOTE 2: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$703,627 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$222,177 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

Water Fund Reserves:

The Village's ordinances authorizing issuance of the 2002 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

Receiving Account – All receipts are initially deposited into this account.

Operation and Maintenance Account – Transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account – Monthly transfers are to be made equal to 1/6 of the next interest payment due plus 1/12 of the next principal payment due.

Water Bond Reserve Account – Annually \$6,583.50 is to be transferred to this account until \$65,385 is accumulated.

Repair, Replacement, and Improvement Fund – Annually \$10,450 is to be deposited into this account until the Bond Reserve Account is fully funded. From that time on, annual installments of \$17,033.50 are to be deposited for the life of the loan.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

At February 28, 2006 the Village had these accounts established and had restricted cash as follows:

	<i>REQUIREMENTS</i>			<i>Amount Funded Restricted Cash Balance</i>
	<i>February 28, 2005</i>	<i>Additions (Reductions)</i>	<i>February 28, 2006</i>	<i>February 28, 2006</i>
Bond and interest redemption fund	\$ 32,314	\$ 239	\$ 32,553	\$ 49,651
Bond reserve account	19,750	6,584	26,334	28,006
Repair, replacement, and improvement fund	31,350	10,450	41,800	44,520
	<u>\$ 83,414</u>	<u>\$ 17,273</u>	<u>\$ 100,867</u>	<u>\$ 122,177</u>

Sewer Fund Reserve:

The Village has a contract payable with Tuscola County for the repayment of the 2005 Sanitary Sewer Treatment Facility Project Bonds. None of the net proceeds from this bond issue has been spent as of February 28, 2006.

NOTE 5: CAPITAL ASSETS

Primary Government capital asset activity for the year ended February 28, 2006 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 14,100	\$ -	\$ (2,600)	\$ 11,500
Depreciable capital assets:				
Land improvements	-	662,968	-	662,968
Buildings and improvements	126,900	153,964	(23,400)	257,464
Furniture and fixtures	-	10,985	-	10,985
Equipment	353,942	24,026	-	377,968
Vehicles	158,215	-	-	158,215
Total depreciable capital assets	639,057	851,943	(23,400)	1,467,600
Accumulated depreciation	(415,636)	(29,109)	20,904	(423,841)
Depreciable capital assets, net	223,421	822,834	(2,496)	1,043,759
Governmental activities, capital assets, net	<u>\$ 237,521</u>	<u>\$ 822,834</u>	<u>\$ (5,096)</u>	<u>\$ 1,055,259</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-type activities:				
Depreciable capital assets				
Equipment	10,682	-	-	10,682
Vehicles	21,280	-	-	21,280
Distribution system	<u>2,927,727</u>	<u>863,237</u>	<u>-</u>	<u>3,790,964</u>
Total capital depreciable assets	<u>2,959,689</u>	<u>863,237</u>	<u>-</u>	<u>3,822,926</u>
Accumulated depreciation	<u>(1,046,789)</u>	<u>(67,304)</u>	<u>-</u>	<u>(1,114,093)</u>
Depreciable capital assets, net	<u>1,912,900</u>	<u>795,933</u>	<u>-</u>	<u>2,708,833</u>
Business-type activities, capital assets, net	<u>\$ 1,912,900</u>	<u>\$ 795,933</u>	<u>\$ -</u>	<u>\$ 2,708,833</u>

Depreciation expense was charged to functions as follows:

General government	\$ 2,011
Public safety	7,602
Public works	<u>19,496</u>
Total governmental activities	<u><u>\$ 29,109</u></u>

Business-type activities:

Sewer	\$ 23,111
Water	<u>44,193</u>
Total business-type activities	<u><u>\$ 67,304</u></u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

NOTE 6: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 28, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<i>Installment Purchase Contract:</i>					
2001 Issue - Dump Truck Loan					
Serial Current Interest Loan	12/1/05-12/1/16	4.75%	\$3,000-5,000	\$ 55,500	\$ 43,500
<u>Business-type Activities</u>					
<i>Revenue Bonds:</i>					
1988 Issue - Water Revenue Refunding Bonds					
Serial Current Interest Bonds	10/1/05-10/1/08	8.10-8.40%	25,000-30,000	265,000	90,000
2002 Issue - Water Revenue Bonds					
Serial Current Interest Bonds	9/1/05-9/1/42	4.5%	11,000-62,000	1,150,000	1,118,000
<i>General Obligation Bonds:</i>					
2005 Issue - Sewer General Obligation Bonds					
Serial Current Interest Bonds	4/1/06-4/1/25	3.50-4.55%	10,000-20,000	290,000	290,000
<i>Contracts Payable:</i>					
2005 Issue - Sewer Treatment Facility Project	10/1/06-10/1/25	4.50-4.75%	5,000-25,000	300,000	300,000
<u>Component Unit</u>					
<i>General Obligation Bonds:</i>					
2004 Issue - Downtown Development Limited					
Tax Bonds					
Serial Current Interest Bonds	12/1/05-12/1/23	4.00-4.90%	5,000-20,000	250,000	240,000

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

The following is a summary of long-term liabilities transactions for the year ended February 28, 2006:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Governmental activities:					
Installment Purchase Contract					
2001 Issue	\$ 46,500	\$ -	\$ (3,000)	\$ 43,500	\$ 3,000
Total governmental activities					
- long-term liabilities	<u>\$ 46,500</u>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ 43,500</u>	<u>\$ 3,000</u>
Business-type activities:					
Revenue Bonds:					
1988 Issue	\$ 115,000	\$ -	\$ (25,000)	\$ 90,000	\$ 30,000
2002 Issue	1,129,000	-	(11,000)	1,118,000	12,000
General Obligation Bonds:					
2005 Issue	290,000.00	-	-	290,000.00	10,000
Contracts Payable					
2005 Issue	<u>-</u>	<u>300,000.00</u>	<u>-</u>	<u>300,000.00</u>	<u>5,000</u>
Total business-type activities					
- long-term liabilities	<u>\$ 1,534,000</u>	<u>\$ 300,000</u>	<u>\$ (36,000)</u>	<u>\$ 1,798,000</u>	<u>\$ 57,000</u>

	<u><i>Interest Rate Ranges</i></u>	<u><i>Principal Maturity Ranges</i></u>	<u><i>Beginning Balance</i></u>	<u><i>Additions (Reductions)</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Component units:						
General Obligation - 2004 Downtown						
Development Limited Tax Bonds						
Amount of Issue - \$250,000						
Maturing through 2023	4.0-4.9%	\$5,000-20,000	<u>\$ 245,000</u>	<u>\$ (5,000)</u>	<u>\$ 240,000</u>	<u>\$ 5,000</u>
Total component units			<u>\$ 245,000</u>	<u>\$ (5,000)</u>	<u>\$ 240,000</u>	<u>\$ 5,000</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended February 28,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 3,000	\$ 2,066	\$ 5,066	\$ 57,000	\$ 84,689	\$ 141,689
2008	3,000	1,924	4,924	57,000	82,226	139,226
2009	3,000	1,781	4,781	58,000	78,592	136,592
2010	4,000	1,639	5,639	28,000	74,878	102,878
2011	4,000	1,449	5,449	34,000	73,686	107,686
2012-2016	21,500	4,371	25,871	201,000	345,088	546,088
2017-2021	5,000	238	5,238	271,000	293,784	564,784
2022-2026	-	-	-	348,000	224,146	572,146
2027-2031	-	-	-	161,000	162,118	323,118
2032-2036	-	-	-	205,000	119,938	324,938
2037-2041	-	-	-	257,000	66,454	323,454
2042-2043	-	-	-	121,000	8,694	129,694
	<u>\$ 43,500</u>	<u>\$ 13,468</u>	<u>\$ 56,968</u>	<u>\$ 1,798,000</u>	<u>\$ 1,614,293</u>	<u>\$ 3,412,293</u>

<i>Year Ended February 28,</i>	<i>Component Unit</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 5,000	\$ 10,660	\$ 15,660
2008	5,000	10,460	15,460
2009	10,000	10,260	20,260
2010	10,000	9,860	19,860
2011	10,000	9,460	19,460
2012-2016	55,000	41,270	96,270
2017-2021	85,000	27,022	112,022
2022-2025	60,000	5,860	65,860
	<u>\$ 240,000</u>	<u>\$ 124,852</u>	<u>\$ 364,852</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Component Unit</u></i>
Receivables:			
Accounts	\$ 8,080	\$ 39,592	\$ -
Intergovernmental	<u>217,293</u>	<u>-</u>	<u>13,538</u>
Total receivables	<u>\$ 225,373</u>	<u>\$ 39,592</u>	<u>\$ 13,538</u>
Accounts payable and accrued expenses:			
Accounts	\$ 13,940	\$ 41,022	\$ -
Interest	517	39,309	2,665
Intergovernmental	<u>-</u>	<u>-</u>	<u>134,040</u>
Total accounts payable and accrued expenses	<u>\$ 14,457</u>	<u>\$ 80,331</u>	<u>\$ 136,705</u>

NOTE 9: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased commercial insurance for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Township Participating Plan are self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2006

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers municipal employees in the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at a rate of 3% for General and DPW employees and 7.2% for Police. The Village of Millington is required to contribute at actuarially determined rates; the current rates ranged from 4.90 to 8.67 percent of eligible payroll based on the December 31, 2003 valuation.

Annual Pension Costs – For year ended February 28, 2006, the Village's annual pension cost of \$10,761 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of February 28, follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost	\$ 10,761	\$ 11,005	\$ 9,361
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Post Employment Benefits:

The Village has no post employment other than the retirement plan mentioned above.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
Revenues:				
Property taxes	\$ 237,570	\$ 247,100	\$ 212,683	\$ (34,417)
Licenses and permits	10	400	280	(120)
State grants	121,300	122,801	122,255	(546)
Contributions from other units	-	-	10,000	10,000
Charges for services	220,793	206,293	4,365	(201,928)
Fines and forfeits	50	50	-	(50)
Interest and rents	1,300	8,210	5,710	(2,500)
Other revenue	5,600	139,500	139,214	(286)
Total revenues	586,623	724,354	494,507	(229,847)
Expenditures:				
<i>Current:</i>				
General government	226,053	272,113	115,530	(156,583)
Public safety	87,906	92,843	86,072	(6,771)
Public works	176,472	219,215	93,285	(125,930)
Recreation and culture	4,400	4,450	4,450	-
Capital outlay	22,350	184,390	164,949	(19,441)
Total expenditures	515,181	773,011	464,286	(308,725)
Excess (deficiency) of revenues over expenditures	71,442	(48,657)	30,221	78,878
Fund balance, beginning of year	198,547	198,547	198,547	-
Fund balance, end of year	\$ 269,989	\$ 149,890	\$ 228,768	\$ 78,878

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Federal grants	\$ -	\$ 434,300	\$ 434,300	\$ -
State grants	71,200	71,200	64,504	(6,696)
Contributions from other units	8,600	9,033	9,435	402
Interest	200	1,665	1,631	(34)
Other revenue	-	200	-	(200)
Total revenues	<u>80,000</u>	<u>516,398</u>	<u>509,870</u>	<u>(6,528)</u>
Expenditures:				
Current:				
Public works	<u>140,171</u>	<u>696,520</u>	<u>656,662</u>	<u>(39,858)</u>
Total expenditures	<u>140,171</u>	<u>696,520</u>	<u>656,662</u>	<u>(39,858)</u>
Excess (deficiency) of revenues over expenditures	<u>(60,171)</u>	<u>(180,122)</u>	<u>(146,792)</u>	<u>33,330</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>112,858</u>	<u>112,858</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>112,858</u>	<u>112,858</u>	<u>-</u>
Net change in fund balance	(60,171)	(67,264)	(33,934)	33,330
Fund balance, beginning of year	<u>114,789</u>	<u>114,789</u>	<u>114,789</u>	<u>-</u>
Fund balance, end of year	<u>\$ 54,618</u>	<u>\$ 47,525</u>	<u>\$ 80,855</u>	<u>\$ 33,330</u>

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
Revenues:				
State grants	\$ 27,000	\$ 27,000	\$ 24,266	\$ (2,734)
Contributions from other units	17,200	18,021	18,824	803
Interest	1,500	4,250	3,871	(379)
Total revenues	45,700	49,271	46,961	(2,310)
Expenditures:				
<i>Current:</i>				
Public works	153,054	236,931	44,445	(192,486)
Total expenditures	153,054	236,931	44,445	(192,486)
Excess (deficiency) of revenues over expenditures	(107,354)	(187,660)	2,516	190,176
Other financing sources:				
Transfers out	-	(89,554)	(89,554)	-
Total other financing sources	-	(89,554)	(89,554)	-
Net change in fund balance	(107,354)	(277,214)	(87,038)	190,176
Fund balance, beginning of year	331,133	331,133	331,133	-
Fund balance, end of year	<u>\$ 223,779</u>	<u>\$ 53,919</u>	<u>\$ 244,095</u>	<u>\$ 190,176</u>

VILLAGE OF MILLINGTON

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

February 28, 2006

The schedule of funding progress is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Underfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as of Percent of Covered Payroll</i>
12/31/04	\$ 1,011,339	1,034,136	22,797	97.80%	186,840	12.20%
12/31/03	973,772	1,074,226	100,454	90.65	212,576	47.26
12/31/02	895,823	1,044,114	148,291	85.79	318,088	46.63
12/31/01	815,221	895,352	80,131	91.05	297,303	26.95
12/31/00	719,120	811,059	91,939	88.66	283,824	32.39
12/31/99	622,279	690,623	68,344	90.10	281,769	24.26
12/31/98	511,692	609,341	97,649	83.97	260,769	37.44
12/31/97	417,202	530,886	113,684	78.59	276,301	41.14

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2006

Revenues:

Current taxes:

Property taxes	\$ 209,510
Penalties and interest on taxes	224
Administration fees	<u>2,949</u>
	<u>212,683</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>280</u>
	<u>280</u>

State grants:

Liquor license fees	1,236
State revenue sharing - sales tax	<u>121,019</u>
	<u>122,255</u>

Contribution from other units:

Downtown Development Authority -- administration charges	<u>10,000</u>
	<u>10,000</u>

Charges for services:

Zoning/Variance/Appeals fees	4,045
Other	<u>320</u>
	<u>4,365</u>

Interest and rents:

Interest	4,410
Rents	<u>1,300</u>
	<u>5,710</u>

Other revenue:

Sale of property	133,663
Reimbursements	3,423
Other	<u>2,128</u>
	<u>139,214</u>

Total revenues	<u><u>\$ 494,507</u></u>
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VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2006

Expenditures:

General Government:

Council:

Personnel	\$ 6,650
	<u>6,650</u>

Accounting/Finance:

Personnel	42,822
Fringe benefits	13,517
Supplies	5,671
Contracted services	4,227
Telephone	3,971
Transportation	1,088
Dues and memberships	1,047
Conferences and workshops	655
Printing and publications	686
Insurance	5,224
Utilities	3,441
Equipment rental	1,400
Other	2,924
	<u>86,673</u>

Audit:

Contracted services	2,542
	<u>2,542</u>

Hall and Grounds:

Personnel	1,540
Fringe benefits	155
Supplies	1,219
Contracted services	1,566
Insurance	2,463
Utilities	10,000
Repairs and maintenance	2,572
Other	150
	<u>19,665</u>

Total general government	<u>115,530</u>
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VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 28, 2006

Expenditures, continued:

Public Safety:

Police:

Personnel	51,883
Fringe benefits	21,889
Supplies	3,410
Contracted services	775
Telephone	958
Transportation	39
Insurance	5,618
Utilities	1,500
	<u>86,072</u>

Total public safety	<u>86,072</u>
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Public Works:

Department of Public Works:

Personnel	42,047
Fringe benefits	8,479
Supplies	1,429
Contracted services	893
Telephone	1,595
Transportation	20
Insurance	9,889
Utilities	4,414
Equipment rental	6,373
	<u>75,139</u>

Street Lighting:

Utilities	18,146
	<u>18,146</u>

Total public works	<u>93,285</u>
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Recreation and Culture:

Parks and Recreation:

Contracted services	4,450
Total recreation and culture	<u>4,450</u>

Capital Outlay:

General government	164,949
Total capital outlay	<u>164,949</u>

Total expenditures	<u>\$ 464,286</u>
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VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

February 28, 2006

	<i>Special Revenue Funds</i>		
	<i>Municipal Street Fund</i>	<i>Garbage Collection Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Assets:			
Cash and cash equivalents	\$ 17,007	\$ 11,217	\$ 28,224
Accounts receivable	-	8,080	8,080
Total assets	<u>\$ 17,007</u>	<u>\$ 19,297</u>	<u>\$ 36,304</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 3,647	\$ 3,647
Total liabilities	<u>-</u>	<u>3,647</u>	<u>3,647</u>
Fund balances:			
Unreserved:			
Special revenue funds	<u>17,007</u>	<u>15,650</u>	<u>32,658</u>
Total fund balances	<u>17,007</u>	<u>15,650</u>	<u>32,658</u>
Total liabilities and fund balances	<u>\$ 17,007</u>	<u>\$ 19,297</u>	<u>\$ 36,304</u>

VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2006

	<i>Special Revenue Funds</i>		
	<i>Municipal Street Fund</i>	<i>Garbage Collection Fund</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues:			
Property taxes	\$ 49,358	\$ -	\$ 49,358
Charges for services	-	64,127	64,127
Interest and rents	675	481	1,156
Other revenue	6,397	-	6,397
Total revenues	56,430	64,608	121,038
Expenditures:			
Current:			
Public works	60,070	69,422	129,492
Total expenditures	60,070	69,422	129,492
Excess (deficiency) of revenues over expenditures	(3,640)	(4,814)	(8,454)
Other financing sources (uses):			
Transfers out	(23,304)	-	(23,304)
Total other financing sources (uses)	(23,304)	-	(23,304)
Net change in fund balance	(26,944)	(4,814)	(31,758)
Fund balance, beginning of year	43,951	20,464	64,416
Fund balance, end of year	\$ 17,007	\$ 15,650	\$ 32,658

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2006

2005 CONTRACT PAYABLE - SANITARY SEWER TREATMENT FACILITY

Issue dated 11/01/05 in the amount of \$ 300,000

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at February 28, 2006 \$ 300,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>	<u>Annual Requirement</u>
2007	4.50%	\$ 5,716	\$ 6,859	\$ 5,000	\$ 17,575
2008	4.50%	6,746	6,746	5,000	18,492
2009	4.50%	6,634	6,634	5,000	18,268
2010	4.50%	6,521	6,521	5,000	18,042
2011	4.50%	6,409	6,409	10,000	22,818
2012	4.50%	6,184	6,183	10,000	22,367
2013	4.50%	5,959	5,959	10,000	21,918
2014	4.50%	5,733	5,734	10,000	21,467
2015	4.50%	5,509	5,509	15,000	26,018
2016	4.50%	5,171	5,171	15,000	25,342
2017	4.50%	4,834	4,834	15,000	24,668
2018	4.50%	4,496	4,496	15,000	23,992
2019	4.50%	4,159	4,159	20,000	28,318
2020	4.50%	3,709	3,708	20,000	27,417
2021	4.55%	3,259	3,259	20,000	26,518
2022	4.60%	2,803	2,804	20,000	25,607
2023	4.65%	2,344	2,344	25,000	29,688
2024	4.65%	1,763	1,762	25,000	28,525
2025	4.70%	1,181	1,181	25,000	27,362
2026	4.75%	<u>593</u>	<u>594</u>	<u>25,000</u>	<u>26,187</u>
		<u>\$ 89,723</u>	<u>\$ 90,866</u>	<u>\$ 300,000</u>	<u>\$ 480,589</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2006

2005 SEWER IMPROVEMENT BONDS

Issue dated 1/20/05 in the amount of \$ 290,000

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at February 28, 2006 \$ 290,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total</u>
		<u>4/1</u>	<u>10/1</u>	<u>4/1</u>	<u>Annual Requirement</u>
2007	3.500%	\$ 5,857	\$ 5,681	\$ 10,000	\$ 21,538
2008	3.500%	5,682	5,506	10,000	21,188
2009	3.500%	5,507	5,331	10,000	20,838
2010	3.50%	5,332	5,156	10,000	20,488
2011	3.50%	5,157	4,981	10,000	20,138
2012	3.50%	4,982	4,806	10,000	19,788
2013	3.65%	4,807	4,631	10,000	19,438
2014	3.75%	4,632	4,449	10,000	19,081
2015	3.90%	4,449	4,167	15,000	23,616
2016	4.00%	4,168	3,875	15,000	23,043
2017	4.05%	3,875	3,575	15,000	22,450
2018	4.15%	3,575	3,271	15,000	21,846
2019	4.20%	3,271	2,960	15,000	21,231
2020	4.43%	2,960	2,645	15,000	20,605
2021	4.30%	2,645	2,220	20,000	24,865
2022	4.40%	2,220	1,789	20,000	24,009
2023	4.45%	1,790	1,350	20,000	23,140
2024	4.50%	1,350	905	20,000	22,255
2025	4.50%	905	455	20,000	21,360
2026	4.55%	455	-	20,000	20,455
		<u>\$ 73,619</u>	<u>\$ 67,753</u>	<u>\$ 290,000</u>	<u>\$ 431,372</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2006

2002 Water Supply System Revenue Bonds

Issue dated 7/23/02 in the amount of \$ 1,150,000

Less: Principal paid in prior years (21,000)
Principal paid in current year (11,000)

Balance payable at February 28, 2006 \$ 1,118,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total</u>
		<u>3/1</u>	<u>9/1</u>	<u>9/1</u>	<u>Annual Requirement</u>
2007	4.750%	\$ 26,553	\$ 26,553	\$ 12,000	\$ 65,106
2008	4.750%	26,268	26,268	12,000	64,536
2009	4.750%	25,983	25,983	13,000	64,966
2010	4.750%	25,674	25,674	13,000	64,348
2011	4.750%	25,365	25,365	14,000	64,730
2012	4.750%	25,033	25,033	15,000	65,066
2013	4.750%	24,676	24,676	15,000	64,352
2014	4.750%	24,320	24,320	16,000	64,640
2015	4.750%	23,940	23,940	17,000	64,880
2016	4.750%	23,536	23,536	18,000	65,072
2017	4.750%	23,109	23,109	19,000	65,218
2018	4.750%	22,658	22,658	19,000	64,316
2019	4.750%	22,206	22,206	20,000	64,412
2020	4.750%	21,731	21,731	21,000	64,462
2021	4.750%	21,233	21,233	22,000	64,466
2022	4.750%	20,710	20,710	23,000	64,420
2023	4.750%	20,164	20,164	24,000	64,328
2024	4.750%	19,594	19,594	26,000	65,188
2025	4.750%	18,976	18,976	27,000	64,952
2026	4.750%	18,335	18,335	28,000	64,670
2027	4.750%	17,670	17,670	29,000	64,340
2028	4.750%	16,981	16,981	31,000	64,962
2029	4.750%	16,245	16,245	32,000	64,490
2030	4.750%	15,485	15,485	34,000	64,970
2031	4.750%	14,678	14,678	35,000	64,356
2032	4.750%	13,846	13,846	37,000	64,692
2033	4.750%	12,968	12,968	39,000	64,936
2034	4.750%	12,041	12,041	41,000	65,082
2035	4.750%	11,068	11,068	43,000	65,136
2036	4.750%	10,046	10,046	45,000	65,092

continued

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2006

2002 Water Supply System Revenue Bonds, continued

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest Due</i></u>		<u><i>Principal Due</i></u>	<i>Total</i>
		<u><i>3/1</i></u>	<u><i>9/1</i></u>	<u><i>9/1</i></u>	<u><i>Annual Requirement</i></u>
2037	4.750%	8,978	8,978	47,000	64,956
2038	4.750%	7,861	7,861	49,000	64,722
2039	4.750%	6,698	6,698	51,000	64,396
2040	4.750%	5,486	5,486	54,000	64,972
2041	4.750%	4,204	4,204	56,000	64,408
2042	4.750%	2,874	2,874	59,000	64,748
2043	4.750%	1,473	1,473	62,000	64,946
		<u>\$ 638,666</u>	<u>\$ 638,666</u>	<u>\$ 1,118,000</u>	<u>\$ 2,395,332</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2006

1998 WATER REVENUE REFUNDING BONDS

Issue dated 6/1/88 in the amount of \$ 350,000

Less: Principal paid in prior years (235,000)
 Principal paid in current year (25,000)

Balance payable at February 28, 2006 \$ 90,000

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest Due</i></u>		<u><i>Principal Due</i></u>	<u><i>Total Annual Requirement</i></u>
		<u><i>4/1</i></u>	<u><i>10/1</i></u>	<u><i>10/1</i></u>	
2007	8.200%	\$ 3,735	\$ 3,735	\$ 30,000	\$ 37,470
2008	8.300%	2,505	2,505	30,000	35,010
2009	8.400%	<u>1,260</u>	<u>1,260</u>	<u>30,000</u>	<u>32,520</u>
		<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 90,000</u>	<u>\$ 105,000</u>

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2006

2001 INSTALLMENT PURCHASE CONTRACT

Issue dated 12/04/01 in the amount of \$ 55,500

Less:	Principal paid in prior years	(9,000)
	Principal paid in current year	<u>(3,000)</u>

Balance payable at February 28, 2006 \$ 43,500

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	Total		
		<u>Interest Due</u>	<u>Principal Due</u>	Annual
		<u>12/1</u>	<u>12/1</u>	<u>Requirement</u>
2007	4.750%	\$ 2,066	\$ 3,000	\$ 5,066
2008	4.750%	1,924	3,000	4,924
2009	4.750%	1,781	3,000	4,781
2010	4.750%	1,639	4,000	5,639
2011	4.750%	1,449	4,000	5,449
2012	4.750%	1,259	4,000	5,259
2013	4.750%	1,069	4,000	5,069
2014	4.750%	879	4,000	4,879
2015	4.750%	689	4,500	5,189
2016	4.750%	475	5,000	5,475
2017	4.750%	<u>238</u>	<u>5,000</u>	<u>5,238</u>
		\$ 13,468	\$ 43,500	\$ 56,968

VILLAGE OF MILLINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

February 28, 2006

2004 DOWNTOWN DEVELOPMENT LIMITED TAX BONDS

Issue dated 5/1/05 in the amount of \$ 250,000

Less: Principal paid in prior years (5,000)
Principal paid in current year (5,000)

Balance payable at February 28, 2006 \$ 240,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>12/1</u>	
2007	4.000%	\$ 5,330	\$ 5,330	\$ 5,000	\$ 15,660
2008	4.000%	5,230	5,230	5,000	15,460
2009	4.000%	5,130	5,130	10,000	20,260
2010	4.000%	4,930	4,930	10,000	19,860
2011	4.000%	4,730	4,730	10,000	19,460
2012	4.000%	4,530	4,530	10,000	19,060
2013	4.000%	4,330	4,330	10,000	18,660
2014	4.050%	4,130	4,130	10,000	18,260
2015	4.200%	3,928	3,927	10,000	17,855
2016	4.300%	3,717	3,718	15,000	22,435
2017	4.400%	3,395	3,395	15,000	21,790
2018	4.450%	3,065	3,065	15,000	21,130
2019	4.550%	2,731	2,731	15,000	20,462
2020	4.600%	2,390	2,390	20,000	24,780
2021	4.700%	1,930	1,930	20,000	23,860
2022	4.800%	1,460	1,460	20,000	22,920
2023	4.900%	980	980	20,000	21,960
2024	4.900%	490	490	20,000	20,980
		<u>\$ 62,426</u>	<u>\$ 62,426</u>	<u>\$ 240,000</u>	<u>\$ 364,852</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of and for the year ended February 28, 2006, which collectively comprise the Village of Millington's basic financial statements and have issued our report thereon dated May 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Millington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Millington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

May 11, 2006



May 11, 2006

To The Village Council
Village of Millington

We have audited the financial statements of the Village of Millington for the year ended February 28, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the Village of Millington in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Millington are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Millington during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated May 11, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants